ONTARIO FINANCES

Ontario

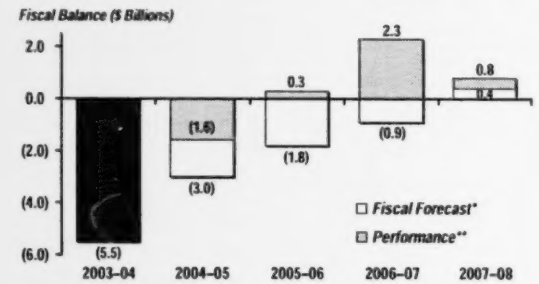
FISCAL SUMMARY ($ Millions)	Actual 2006–07	2007–08 Budget Plan	2007–08 Current* Outlook	2007–08 In-Year Change
Revenue	**90,397**	**91,503**	**92,086**	**583**
Expense				
Programs	79,297	82,030	82,269	239
Interest on Debt	8,831	9,123	9,067	(56)
Total Expense	88,128	91,153	91,336	183
Surplus / (Deficit) Before Reserve	**2,269**	**350**	**750**	**400**
Reserve	–	750	750	–
SURPLUS / (DEFICIT)	**2,269**	**(400)**	**0**	**400**

* First-quarter fiscal forecast as at June 30, 2007.

INTRODUCTION

The fiscal outlook is in line with the steady improvement in the Province's finances since 2003–04, resulting from a growing economy and the government's commitment to prudent and disciplined fiscal management.

Ontario's Fiscal Performance



* The 2004–05, 2005–06 and 2006–07 forecast, excluding the reserve, is based on the fiscal plan outlined in the 2005 Ontario Budget. The forecast for 2007–08 is as presented in the 2007 Ontario Budget, excluding the reserve.
** The 2007–08 fiscal performance is the current outlook as at June 30, 2007, excluding the reserve. Actual results are presented for the years 2003–04 to 2006–07.

The government has made great progress in restoring the Province's finances to a healthy state, particularly given that when the government came into office in 2003, an independent review of Ontario's finances concluded that the Province was on track to post a significant deficit in 2003–04, which has since been confirmed to have been $5.5 billion. In 2004–05 the deficit was reduced to $1.6 billion, in 2005–06 Ontario posted a surplus of $0.3 billion, and the Public Accounts of Ontario confirm a $2.3 billion surplus in 2006–07 – the government's second consecutive surplus. Through prudent and disciplined fiscal management, the government has been able to quickly eliminate the deficit while still making major investments in priority areas such as health, education, infrastructure, social services and postsecondary education. As a result, the Province of Ontario is now on track to exceed its fiscal target for the fourth consecutive year.

2007–08 FISCAL OUTLOOK

First-quarter results indicate the fiscal outlook for 2007–08 has improved by $400 million from the 2007–08 Budget Plan. The Province is now projecting a $750 million surplus, or a balanced budget if the reserve is required. This improvement is primarily due to higher projected federal transfers and tax revenues, combined with lower expected interest on debt expense. In addition to balancing the budget, the government has been making strategic investments in climate change initiatives, child care, agriculture sector support and education, even in the face of an appreciating Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy. The Province's improved fiscal performance so far this year will also contribute to a further improvement in Ontario's debt-to-GDP ratio which is now projected at 18.5 per cent in 2007–08.

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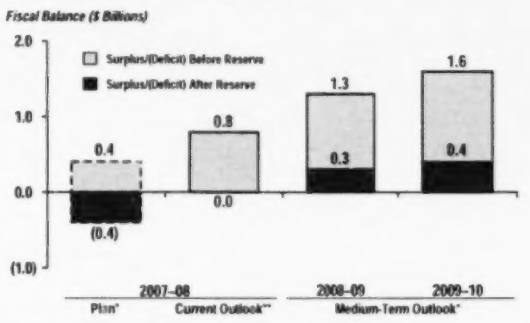
MEDIUM-TERM FISCAL OUTLOOK

The medium-term fiscal outlook presented in the 2007 Ontario Budget projected surpluses of $0.4 billion in 2007–08, $1.3 billion in 2008–09, and $1.6 billion in 2009–10 if the reserve is not required in each year. The government's *Pre-Election Report on Ontario's Finances*, released in late April, noted that fiscal results may improve for 2007–08 as a result of information received after the Budget was finalized, but that the 2008–09 and 2009–10 fiscal years were on track with the Budget plan for those years.

Ontario's Medium-Term Fiscal Plan



* As projected in the 2007 Ontario Budget.
** As at June 30, 2007.

In his review of the Pre-Election Report, the Auditor General noted that the government's approach to prudent fiscal planning "tend(s) to make the fiscal plan conservative in nature." However, the Auditor General's review also noted that changes in the economic outlook, most notably the appreciating Canadian dollar, are a risk to the Province's fiscal plan and that the flexibility provided by prudent planning should more than offset any impact, underlining "the wisdom of the practice of building a healthy dose of prudence into the budget-revenue projections."

Consistent with this view, and taking into account the additional developments since the 2007 Budget, the government remains prudent in its medium-term fiscal targets, reflecting the greater uncertainties that exist further in the future. While the Province is now on track to post a balanced budget in 2007–08 even if the reserve is required, the updated medium-term fiscal plan takes into account the portion of higher revenue from 2006–07 that carries forward into 2007–08 and the remaining years covered by the plan, and reflects the fact that most of the increase is being invested in priority program areas. More information on the Province's medium-term fiscal plan and outlook will be provided in future fiscal updates.

GO GREEN ONTARIO

In the 2007 Budget, the government committed more than $200 million over three years to expand opportunities for a greener Ontario. On June 18, 2007, as part of the government's Go Green Ontario climate change plan, the following greenhouse gas reduction targets were announced:

- 6 per cent below 1990 levels by 2014, or 61 megatonnes;
- 15 per cent below 1990 levels by 2020, or 99 megatonnes; and
- 80 per cent below 1990 levels by 2050.

In 2007–08 the government has unveiled a new bundle of programs under the climate change plan to help individual homeowners, municipalities and the industrial, commercial and institutional sector decrease their greenhouse gas emissions and conserve energy. A portion of funding is also going towards researching the impacts of climate change and developing clean energy technologies.

Over the medium and long term, these initiatives – in combination with the government's estimated $11.5 billion contribution to the $17.5 billion MoveOntario 2020 rapid transit plan and the $650 million Next Generation Jobs Fund to encourage the development of cleaner cars, fuels and technologies – will help contribute to meeting the greenhouse gas reduction targets and strengthening the economy.

REVENUE AT $92.1 BILLION

The 2007–08 revenue outlook, at $92,086 million, is $583 million above the 2007 Budget forecast. This increase reflects the impacts of the 2007 federal budget as reported in the Pre-Election Report, new information on tax revenues, Ontario tax changes to promote energy efficiency, and other small revenue changes associated with expense changes. Revenue changes reported in the first quarter include:

- The **Personal Income Tax** (PIT) forecast increased by a net $337 million. This is largely due to a $400 million increase related to new information on 2006 tax return processing as reflected in 2006–07 Public Accounts. An estimated $62 million decrease is due to measures introduced in the 2007 federal budget that Ontario is obligated to parallel under the current Tax Collection Agreement. An additional $1 million decrease reflects the Province's announcement that it is remitting $1 million in provincial personal income taxes paid by the Canadian Red Cross Society HIV Trust Fund since 2001.
- A $36 million decrease in **Retail Sales Tax** related to the government's June 20, 2007, announcement of point-of-sale retail sales tax exemptions for ENERGY STAR® lights and appliances purchased, rented or leased after July 19, 2007, and before July 20, 2008.
- The **Corporations Tax** (CT) forecast increased by a net $23 million. Strong payments related to 2006 taxes, as reflected in the 2006–07 Public Accounts, have boosted the outlook for 2007–08 by $150 million. Tax measures announced by the Province on April 20, 2007, to parallel measures announced in the 2007 federal budget, have reduced the CT revenue outlook by $127 million in 2007–08.
- **Canada Health Transfer** (CHT) increased by $85 million due to changes introduced in the 2007 federal budget to move to a 10-province standard in the calculation of Equalization entitlements. This results in an increase in Equalization payments and Associated Equalization for receiving provinces, and an increase in CHT cash entitlements for non-receiving provinces such as Ontario.
- **Canada Social Transfer** (CST) increased by $49 million resulting from information provided in the 2007 federal budget including a move to a per-capita basis for calculating CST entitlements and enhancements to support children.
- An increase of $140 million in **Other Government of Canada** transfers, including $107 million related to the 2007 federal budget announcement of funds for the patient wait times guarantee and an immunization program to provide the human papillomavirus vaccine, and $33 million in funding mainly for costs incurred by the Province in responding to the Caledonia situation and for higher provincial spending for French-language education and food safety.
- In response to recommendations by the Ontario Ombudsman, the Alcohol and Gaming Commission of Ontario will implement enhanced regulations for the lottery system. This will be funded from **Ontario Lottery and Gaming** net income, resulting in a $15 million decrease.

TOTAL EXPENSE AT $91.3 BILLION

The 2007–08 total expense outlook, at $91,336 million, is $183 million higher than forecast in the 2007 Budget, mainly due to a proposed $230 million increase in the Operating Contingency Fund, combined with $56 million in interest on debt savings. Ministry program expense changes this quarter, and the corresponding offsets, include:

- **Ministry of Agriculture, Food and Rural Affairs**: An additional $54 million in new funding, which includes $44 million to provide matching one-time funding for the federal Cost of Production Payment program announced in the 2007 federal budget; $4 million for the removal of non-productive juice grape acreage that presents a risk to other grape crops in the Niagara region; and other funding including assistance to Ontario's honey bee industry, extending the Plum Pox Asset Loss Financial Assistance program, and funding under Go Green Ontario for the Ontario Biogas Systems Financial Assistance Program to help farmers and rural businesses carry out feasibility studies for the installation of biogas systems as well as cover a proportion of construction and implementation costs. All funding commitments are fully offset from the Operating Contingency Fund. A further $4 million was provided to Ontario food producers to assist them with adopting additional food safety processes, offset by revenue from the federal government's Food Safety Initiative.
- **Ministry of Children and Youth Services**: An increase of $93 million in funding to sustain more than 7,000 additional child care spaces, provide a wage increase of approximately three per cent for child care practitioners, and support higher-quality child care through ongoing health and safety training for child care supervisors, fully offset from the Operating Contingency Fund. A funding increase of $4 million was also provided to create 300 new, culturally appropriate, physical child care spaces for Aboriginal children, fully offset from the Capital Contingency Fund.
- **Ministry of Education**: An additional $3 million, fully offset by federal revenue, to support projects that enhance French-language education at the primary and secondary level in Ontario.
- **Ministry of Energy**: An increase of $20 million, which includes funding to support five Go Green Ontario projects: home energy retrofit incentives; zero-interest loans for homeowners who install renewable energy systems; industrial, commercial and institutional sector incentives to use solar thermal equipment; a program with Ontario's green energy retailers to help Ontarians purchase 100 per cent green power; and funding for the Toronto Region Conservation Authority to secure the World Green Building Council headquarters in Toronto. All funding commitments fully offset from the Operating Contingency Fund.
- **Ministry of Finance – Operating Contingency Fund**: A net increase of $2 million in the Operating Contingency Fund mainly due to the proposed increase of $230 million from a portion of the revenue improvements identified since the 2007 Budget, which the government will invest in priority program areas, partially offset by a decrease of $228 million that was allocated to fund ministries' operating expense changes as outlined.
- **Ministry of Government Services:** An increase of $68 million for the transfer of responsibility and funding from the Ministry of Transportation for the ServiceOntario Private Issuer Network.

IN-YEAR EXPENSE CHANGES, CONTINUED

- **Ministry of Natural Resources**: An increase of $52 million which includes funding for additional personnel and equipment required to support forest fire-fighting, due to the above-average number of fires at the start of this season; and funding under Go Green Ontario for a multi-year study of the impact of climate change on seasonal on-ice movement patterns of Ontario's adult polar bears, all fully offset from the Operating Contingency Fund.
- **Ministry of Public Infrastructure Renewal**: Funding of $5 million is available in 2007–08 from the three-year, $20 million Municipal Eco Challenge Fund to provide grants to municipal governments to support projects that reduce greenhouse gas emissions, fully offset from the Operating Contingency Fund.
- **Ministry of Public Infrastructure Renewal – Capital Contingency Fund**: A decrease of $6 million in the Capital Contingency Fund was allocated to fund ministries' capital expense changes as outlined.
- **Ministry of Tourism**: Special one-time funding of $2 million to assist with the reconstruction of fire-damaged buildings and contents at Sainte-Marie Among the Hurons, Huronia Historical Parks, fully offset from the Capital Contingency Fund.
- **Ministry of Training, Colleges and Universities**: An additional $2 million, fully offset by federal revenue, was provided to support projects that enhance French-language education at the postsecondary level in Ontario.
- **Ministry of Transportation**: An additional $4 million for more frequent grass cutting and litter pickup along Ontario's busiest 400-series highways and the Queen Elizabeth Way (QEW), fully offset from the Operating Contingency Fund. Also, a decrease of $68 million for the transfer of responsibility and funding to the Ministry of Government Services for the ServiceOntario Private Issuer Network.

Interest on debt expense for the year is forecast to be $56 million lower, mainly due to a slower pace of borrowing than was forecast at the time of the 2007 Budget.

RESERVE AT $0.8 BILLION

The current fiscal outlook maintains a $750 million reserve to protect against unexpected and adverse changes in the Province's revenue and expense outlook, including those resulting from changes in Ontario's economic performance.

STATEMENT OF FINANCIAL TRANSACTIONS

($ Millions)	2003–04	2004–05	2005–06	Actual 2006–07	Current* Outlook 2007–08
Revenue	68,400	77,841	84,225	90,397	92,086
Expense					
Programs	64,279	70,028	74,908	79,297	82,269
Interest on Debt	9,604	9,368	9,019	8,831	9,067
Total Expense	73,883	79,396	83,927	88,128	91,336
Surplus / (Deficit) Before Reserve	**(5,483)**	**(1,555)**	**298**	**2,269**	**750**
Reserve	–	–	–	–	750
Surplus / (Deficit)	**(5,483)**	**(1,555)**	**298**	**2,269**	**0**
Net Debt†,‡	138,816	140,921	141,928	141,100	142,845
Accumulated Deficit†	124,188	125,743	109,155	106,776	106,776

Note: Starting in 2005–06, the Province's financial reporting has been expanded to include hospitals, school boards and colleges using one-line consolidation.

* First-quarter fiscal forecast as at June 30, 2007.

† Net Debt is calculated as the difference between liabilities and financial assets. The annual change in Net Debt is equal to the Surplus/Deficit of the Province plus the change in tangible capital assets and the change in net assets of hospitals, school boards and colleges. Accumulated Deficit is calculated as the difference between liabilities and total assets including tangible capital assets and net assets of hospitals, school boards and colleges. The annual change in the Accumulated Deficit is equal to the Surplus/Deficit. For fiscal 2005–06, the change in the Accumulated Deficit includes the opening combined net assets of hospitals, school boards and colleges that were recognized upon consolidation of these Broader Public Sector (BPS) entities. For fiscal 2006–07, the change in the Accumulated Deficit includes an adjustment to the unfunded liability of the Ontario Electricity Financial Corporation made at the beginning of the year.

‡ Net Debt is restated in 2003–04, 2004–05 and 2005–06 to reflect the value of hydro corridor lands transferred to the Province from Hydro One Inc.

SELECTED ECONOMIC AND FISCAL STATISTICS

	2003–04	2004–05	2005–06	Actual 2006–07	Current* Outlook 2007–08
Gross Domestic Product (GDP) at Market Prices ($ Millions)	493,416	518,053	539,403	558,879	576,204
Ontario Population (000s) – July 1	12,263	12,417	12,559	12,687	12,805
Ontario Revenue as a per cent of GDP	13.9	15.0	15.6	16.2	16.0
Ontario Revenue Growth (%)	(0.7)	13.8	8.2	7.3	1.9
Ontario Total Expense as a per cent of GDP	15.0	15.3	15.6	15.8	15.9
Ontario Total Expense Growth (%)	7.4	7.5	5.7	5.0	3.6
Ontario Total Program Expense as a per cent of GDP	13.0	13.5	13.9	14.2	14.3
Ontario Total Program Expense Growth (%)	8.8	8.9	7.0	5.9	3.7
Ontario Interest on Debt as a per cent of Revenue	14.0	12.0	10.7	9.8	9.8
Ontario Interest on Debt as a per cent of Total Expense	13.0	11.8	10.7	10.0	9.9
Ontario Interest on Debt as a per cent of GDP	1.9	1.8	1.7	1.6	1.6
Ontario Surplus / (Deficit) as a per cent of GDP	(1.1)	(0.3)	0.1	0.4	0.0
Net Debt per capita ($)	11,320	11,349	11,301	11,122	11,155
Net Debt as a per cent of GDP	28.1	27.2	26.3	25.2	24.8
Accumulated Deficit per capita ($)	10,127	10,127	8,691	8,416	8,339
Accumulated Deficit as a per cent of GDP	25.2	24.3	20.2	19.1	18.5

* First-quarter fiscal forecast as at June 30, 2007.

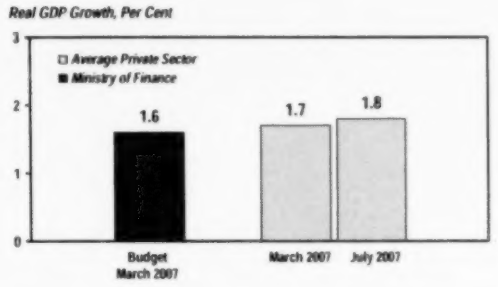
Sources: Ontario Ministry of Finance and Statistics Canada.

ONTARIO ECONOMIC OUTLOOK

Moderate economic growth is projected in 2007, with real GDP rising by 1.6 per cent, following an increase of 1.8 per cent in 2006. The continued modest rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices, higher interest rates and an easing in the pace of growth in the U.S. economy.

The average private-sector forecast for Ontario economic growth is currently 1.8 per cent for 2007, up from 1.7 per cent at the time of the 2007 Budget.

Ontario Economic Outlook for 2007
2007 Budget and Average Private-Sector Forecast



ONTARIO REAL GROSS DOMESTIC PRODUCT (GDP) UP IN JANUARY-MARCH QUARTER

- Ontario's real GDP grew by 0.7 per cent (2.7 per cent annualized) in the first calendar quarter of 2007, matching its rate of growth in the fourth quarter of 2006.
- The increase in real GDP was due mainly to net trade, as exports grew faster than imports.

JOB CREATION STEADY IN 2007

- Over the first seven months of 2007, Ontario employment is up by 83,500 net new jobs (1.3 per cent), compared to the same period in 2006.
- Ontario employment advanced by 11,400 jobs in July, following an increase of 5,700 in June. The unemployment rate was 6.6 per cent in July.

RETAIL SALES UP IN 2007

- Over the first five months of 2007, Ontario retail sales are 4.3 per cent higher than during the same period in 2006.

INFLATION MODERATES IN JUNE

- The Ontario annual CPI inflation rate was 1.6 per cent in June (year to year), down from 1.9 per cent in May. The Ontario annual CPI inflation rate was 1.8 per cent in 2006.

ACTIVITY IN HOUSING MARKET

- Ontario home resales surged 14.1 per cent in June (year to year) to 23,326 units, the second highest monthly level on record following an all-time high in May. On a year-to-date basis, home resales are up 9.0 per cent so far in 2007.
- Over the first seven months of 2007, Ontario housing starts are 16.2 per cent lower than during the same period in 2006.

MANUFACTURING SHIPMENTS AND INTERNATIONAL EXPORTS IN 2007

- Over the first five months of 2007, Ontario manufacturing shipments are 0.7 per cent below their value for the same period last year.
- So far this year, Ontario international exports are 6.0 per cent ahead of the same period last year while imports are up 7.5 per cent.

KEY ECONOMIC INDICATORS
(Per Cent Change from previous period, unless indicated otherwise)

		Annual	Annual	Quarterly				
		2005	2006	06:1	06:2	06:3	06:4	07:1
Output (Seasonally Adjusted at Annual Rates)								
Real GDP	Ontario	2.9	1.8	2.7	1.4	0.2	2.6	2.7
Nominal GDP	Ontario	4.1	3.6	3.7	4.6	1.6	4.6	7.3

	Annual	Annual	Monthly 2007				
	2005	2006	Mar	Apr	May	Jun	Jul
Other Indicators (Seasonally Adjusted)							
Labour Markets							
Labour Force (Change in 000s)	74	78	28	(8)	(11)	21	17
Employment (Change in 000s)	81	95	12	(17)	12	6	11
Unemployment Rate (%)	6.6	6.3	6.5	6.6	6.3	6.5	6.6
Household Sector							
Retail Sales	4.8	4.1	2.1	(0.2)	1.8	N/A	N/A
Housing Starts (000s)*	78.8	73.4	55.8	63.1	75.8	62.0	64.7
MLS Home Resales**	(0.2)	(1.1)	(1.2)	11.8	15.1	14.1	N/A
Manufacturing Shipments	(1.6)	(4.0)	4.4	(2.0)	(0.2)	N/A	N/A
Transportation Equipment	(0.9)	(9.3)	8.4	(8.3)	(2.6)	N/A	N/A
Consumer Price Index**	2.2	1.8	1.8	1.8	1.9	1.6	N/A

Sources: Statistics Canada, Ontario Ministry of Finance, Canada Mortgage and Housing Corporation, Canadian Real Estate Association.

* Monthly housing starts are expressed at a seasonally adjusted annual rate.

** Per cent change from a year earlier.

N/A = Data not available.

ONTARIO FINANCES
FINANCIAL TABLES

REVENUE

($ Millions)	Actual 2006–07	2007–08 Budget Plan	2007–08 Current* Outlook	2007–08 In-Year Change
Taxation Revenue				
Personal Income Tax	23,655	23,285	23,622	337
Retail Sales Tax	16,228	16,682	16,646	(36)
Corporations Tax	10,845	10,605	10,628	23
Employer Health Tax	4,371	4,550	4,550	–
Ontario Health Premium	2,589	2,638	2,638	–
Gasoline Tax	2,310	2,401	2,401	–
Fuel Tax	723	741	741	–
Tobacco Tax	1,236	1,217	1,217	–
Land Transfer Tax	1,197	1,187	1,187	–
Electricity Payments-In-Lieu of Taxes	757	706	706	–
Other Taxes	399	307	307	–
	64,310	**64,319**	**64,643**	**324**
Government of Canada				
Canada Health Transfer (CHT)	7,702	8,104	8,189	85
Canada Social Transfer (CST)**	3,478	3,740	3,789	49
Social Housing	532	528	528	–
Infrastructure Programs	191	161	161	–
Wait Times Reduction Fund	467	468	468	–
Other Government of Canada	1,666	3,105	3,245	140
	14,036	**16,106**	**16,380**	**274**
Income from Investment in Government Business Enterprises				
Ontario Lottery and Gaming	1,945	1,801	1,786	(15)
Liquor Control Board of Ontario	1,307	1,343	1,343	–
Ontario Power Generation Inc. and Hydro One Inc.	947	840	840	–
Other Government Enterprises	(3)	2	2	–
	4,196	**3,986**	**3,971**	**(15)**
Other Non-Tax Revenue				
Reimbursements	1,415	1,491	1,491	–
Electricity Debt Retirement Charge	991	1,013	1,013	–
Vehicle and Driver Registration Fees	970	1,032	1,032	–
Power Sales	863	831	831	–
Other Fees and Licences	624	583	583	–
Liquor Licence Revenue	467	455	455	–
Net Reduction of Power Purchase Contract Liability	412	398	398	–
Sales and Rentals	1,108	429	429	–
Royalties	215	217	217	–
Miscellaneous Other Non-Tax Revenue	790	643	643	–
	7,855	**7,092**	**7,092**	**–**
TOTAL REVENUE	**90,397**	**91,503**	**92,086**	**583**

* First-quarter fiscal forecast as at June 30, 2007.

** Includes 2005 federal budget additional Early Learning and Child Care revenues of $253 million in 2006–07.

TOTAL EXPENSE

($ Millions)		2007–08		
Ministry Expense	**Actual 2006–07**	**Budget Plan**	**Current* Outlook**	**In-Year Change**
Aboriginal Affairs	25	28	28	–
Agriculture, Food and Rural Affairs	800	876	880	4
Attorney General	1,348	1,387	1,387	–
Board of Internal Economy	163	245	245	–
Children and Youth Services	3,260	3,574	3,671	97
Citizenship and Immigration	116	86	86	–
Community and Social Services	7,182	7,341	7,341	–
Community Safety and Correctional Services	1,876	1,927	1,927	–
Culture	410	350	350	–
Democratic Renewal Secretariat	6	8	8	–
Economic Development and Trade	199	327	327	–
Education	423	437	440	3
School Boards' Net Expense	11,290	11,989	11,989	–
Energy	229	290	310	20
Environment	314	325	325	–
Executive Offices	19	18	18	–
Finance	569	464	464	–
Ontario Municipal Partnership Fund	758	917	917	–
Francophone Affairs, Office of	4	4	4	–
Government Services	856	818	886	68
Health and Long-Term Care	19,162	20,043	20,043	–
Hospitals' Net Expense	16,145	17,509	17,509	–
Health Promotion	391	373	373	–
Intergovernmental Affairs	11	9	9	–
Labour	147	161	161	–
Municipal Affairs and Housing	843	760	760	–
Natural Resources	734	726	778	52
Northern Development and Mines	318	356	356	–
Public Infrastructure Renewal	426	138	143	5
Research and Innovation	316	325	325	–
Revenue	563	578	578	–
Small Business and Entrepreneurship	25	26	26	–
Tourism	204	195	197	2
Training, Colleges and Universities	4,110	4,402	4,404	2
Colleges' Net Expense	1,273	1,453	1,453	–
Transportation	2,733	1,977	1,913	(64)
Other Expense				
Capital Contingency Fund	–	175	169	(6)
Interest on Debt	8,831	9,123	9,067	(56)
MoveOntario	6	–	–	–
One-Time and Extraordinary Assistance to Agriculture Sector	278	20	74	54
Operating Contingency Fund	–	580	582	2
Pension and Other Employee Future Benefits	557	533	533	–
Power Purchases	863	831	831	–
Teachers' Pension Plan	345	349	349	–
Year-End Savings	–	(900)	(900)	–
TOTAL EXPENSE	**86,128**	**91,153**	**91,336**	**183**

* First-quarter fiscal forecast as at June 30, 2007.

2007–08 Infrastructure Expenditures

($ Millions)	Total Infrastructure Expenditures 2006–07 Actual	2007–08*		
		Investment in Capital Assets	Transfers and Other Expenditures in Infrastructure**	Total Infrastructure Expenditures
Transportation				
Transit	1,624	598	394	992
Highways	1,426	1,549	154	1,703
Other Transportation	76	5	25	30
Health				
Hospitals	375	623	5	628
Other Health	183	50	176	226
Education				
School Boards	1,000	–	1,016	1,016
Colleges	73	184	–	184
Universities	52	–	71	71
Water/Environment	360	32	231	263
Municipal and Local Infrastructure†	473	2	249	251
Justice	102	89	42	131
Other	682	202	253	455
Total††	**6,426**	**3,334**	**2,616**	**5,950**

* First-quarter fiscal forecast as at June 30, 2007.

** Mainly consists of transfers for capital purposes to municipalities and universities, expenditures for servicing capital-related debt of schools, and expenditures for the repair and rehabilitation of schools. These expenditures are included in the Province's Total Expenses in the Total Expense Table.

† Municipal and local water and wastewater infrastructure investments are included in the Water/Environment sector.

†† Total expenditures include $86 million in flow-throughs in Investment in Capital Assets (for provincial highways) and $160 million in flow-throughs in Transfers and Other Expenditures in Infrastructure ($28 million in Transportation, $45 million in Water/Environment and $87 million in Municipal and Local Infrastructure).

CONSOLIDATED PROVINCE AND ONTARIO ELECTRICITY FINANCIAL CORPORATION
($ Millions)

	Actual 2006–07	2007–08 Budget Plan	2007–08 Current* Outlook	2007–08 In-Year Change
Deficit / (Surplus)	(2,269)	400	0	(400)
Non-Cash Adjustments	1,720	(468)	(945)	(477)
Investment in Capital Assets	2,120	3,334	3,334	–
Net Loans/Investments	1,736	1,173	2,004	831
Debt Maturities	13,966	14,413	14,300	(113)
Debt Redemptions	1,041	887	1,000	113
Total Funding Requirement	**18,314**	**19,739**	**19,693**	**(46)**
Canada Pension Plan Borrowing	(185)	(431)	(431)	–
Decrease / (Increase) in Short-Term Borrowing	1,370	(550)	(539)	11
Increase / (Decrease) in Cash and Cash Equivalents	(804)	–	(1,050)	(1,050)
TOTAL LONG-TERM PUBLIC BORROWING REQUIREMENT	**18,695**	**18,758**	**17,673**	**(1,085)**

* First-quarter fiscal forecast as at June 30, 2007.

BORROWING PROGRAM STATUS (AS AT JUNE 30, 2007)
($ Billions)

	Completed	Remaining	Total
Province	5.0	10.0	15.0
Ontario Electricity Financial Corporation	0.3	2.4	2.7
TOTAL	**5.3**	**12.4**	**17.7**

Numbers may not add due to rounding.

- Long-Term Public Borrowing completed as at June 30, 2007, totalled $5.3 billion as follows:

	($ Billions)
Ontario Savings Bonds	1.3
Domestic Issues	2.9
Global/US Dollar Issues	1.1
	5.3

- The $477 million decline in Non-Cash Adjustments is mainly due to additional cash transfers to the Province from the federal trusts.

- The $831 million increase in Net Loans/Investments is mainly due to loans to Ontario Power Generation Inc. for general corporate purposes and for refinancing maturities.

- The $113 million decline in Debt Maturities is mainly due to the Province not exercising call options on some of its debt issues.

- The $113 million increase in Debt Redemptions is a result of higher-than-forecast redemptions of Ontario Saving Bonds in June.

- The $11 million change in short-term borrowing is a result of lower-than-expected drawdown of the Ontario Power Authority line of credit.

- The higher-than-forecast surplus in 2006–07 has reduced the 2007–08 cash needs for the Province by $1,050 million.